Opening Statement of the Honorable Fred Upton
Subcommittee on Health
Hearing on "Messing with Success: How CMS' Attack on the Part D Program Will Increase Costs and Reduce Choices for Seniors"
February 26, 2014

(As Prepared for Delivery)

Today we examine the administration's proposed Medicare Part D rule, which – by undermining the foundation of this successful program – will raise costs for our nation's seniors and limit their choices.

As we have discussed many times, the financial sustainability of Medicare is under serious threat, putting the quality of care for future seniors in jeopardy. The Medicare Part A trust fund is forecasted to run out in 2026, and the cost of Medicare Part B is projected to double over the next decade. Medicare must be reformed for us to keep our promise to today's seniors and for generations to come.

With Medicare already facing such daunting challenges, it was deeply disturbing to learn that CMS is pursuing any policy that would undermine the Part D Prescription Drug Plan – the part of Medicare whose design has proven to be the most effective model at keeping costs under control and providing voluntary coverage options that seniors like.

The cost of Medicare Part D is less than half the level projected a decade ago. It has saved seniors hundreds of dollars in premiums every year and the federal government tens of billions of taxpayer dollars. It gives seniors choices and control over how they receive their drugs. This competitive structure demands innovation from providers to improve services and drive down costs and allows the flexibility for providers to innovate and improve services.

The linchpin of the Part D program's success is the principle of non-interference with negotiations between plans, pharmacies, and drug companies. This allows drug plans to drive a hard bargain with providers, and the ability to deliver savings for enrollees. It insulates the program from political micromanagement, ensuring that seniors only need to pay more if they genuinely value additional services that impose extra costs.

The proposed rule, issued on January 6, 2014, appears to be a direct assault on the competitive structure of the program. It inhibits the ability of plans to obtain discounts for beneficiaries, limits the range of market segments in which they may compete, and usurps the responsibility of states to license those able to prescribe. This 700-page proposal makes numerous changes, and we intend to look carefully at the many issues that it raises and how they would affect seniors.

This sudden proposed disruption to a program that has been functioning so well raises questions about whether CMS can be trusted to exercise the restraint needed to properly oversee modern market-oriented health care programs. Medicare Part D should be looked at as a model. We should build upon the successes of Part D as a benefit that meets the needs of enrollees and keeps costs under control, rather than trying to undercut what it has been able to achieve.

I hope that the witnesses today will bear in mind the long-term challenges that Medicare faces and the importance of innovative modern benefit structures to the future solvency of the program.

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